



J. TYLER McCAULEY
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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November 15, 2006

TO: Mayor Michael D. Antonovich
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

FROM: J. Tyler McCauley 
Auditor-Controller

SUBJECT: **VAN NESS RECOVERY HOUSE CONTRACT - WORKFORCE
INVESTMENT ACT PROGRAM**

We have conducted a program, fiscal and administrative contract review of Van Ness Recovery House (Van Ness or Agency), a Workforce Investment Act Program (WIA) service provider.

Background

The Department of Community and Senior Services (DCSS) contracts with Van Ness, a private, non-profit organization, to provide and operate the WIA Adult Special Needs Program. The WIA Adult Special Needs Program is a comprehensive training and employment program to assist low income adults with substantial language and/or cultural barriers obtain employment, retain their jobs and increase their earnings. The types of services provided by Van Ness include on-the-job training, vocational training, job readiness training, and entrepreneurial training. Van Ness' offices are located in all five Districts.

Van Ness is compensated on a cost reimbursement basis. Van Ness' contract was for \$75,212 for Fiscal Year 2005-2006.

Purpose/Methodology

The purpose of the review was to determine whether Van Ness has complied with its contract terms and appropriately accounted for and spent WIA funds in providing services to eligible participants. We also evaluated the adequacy of the Agency's

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accounting records, internal controls and compliance with federal, State, and County guidelines.

Results of Review

Van Ness maintained appropriate documentation to support the participants' eligibility. In addition, Van Ness maintained adequate controls over its business operations. However, Van Ness over billed DCSS \$511 on the final invoice for FY 2004-05. Van Ness' procedures manuals also were not in compliance with regulatory guidelines.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with Van Ness on August 8, 2006. In their attached response, Van Ness agreed with most of the findings. The Agency did not believe they needed to repay DCSS \$511. However, Van Ness did not provide documentation to support their belief. DCSS will work with the Agency to obtain repayment or supporting documentation.

We notified DCSS of the results of our review. We thank Van Ness for their cooperation and assistance during this review. Please call me if you have any questions, or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

c: David E. Janssen, Chief Administrative Officer
Cynthia Banks, Director, Department of Community and Senior Services
Kathleen Watt, Executive Director, Van Ness Recovery House
Public Information Office
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM
VAN NESS RECOVERY HOUSE
FISCAL YEAR 2005-06**

ELIGIBILITY

Objective

Determine whether Van Ness Recovery House (Van Ness or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We reviewed the case files of all six participants that received services between July 2005 and January 2006. We reviewed the six case files for documentation to confirm their eligibility for WIA program services.

Results

All six program participants met the eligibility requirements for the WIA Adult Special Needs program.

Recommendation

There are no recommendations for this section.

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether Van Ness provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the program participants received the billed services.

Verification

We reviewed the documentation contained in the case files for all six program participants that received services during July 2005 through January 2006.

Results

The case files for all six program participants contained documentation to support the services billed to DCSS. We were unable to locate the six participants to interview them about the services they received. However, the documentation in the case files sufficiently documented that the participants received services.

Recommendation

There are no recommendations for this section.

CASH/REVENUE**Objective**

Determine whether cash receipts and revenues are properly recorded in the Agency's records and deposited timely in their bank account. Determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the bank reconciliation for November 2005.

Results

Generally, Van Ness properly recorded and deposited cash receipts and revenues in a timely manner. However, the Agency's November 2005 bank reconciliation was not signed by the preparer or the approver. This was also noted in the prior year's monitoring review completed by an outside firm contracted by the County.

Recommendation

1. Van Ness management ensure that bank reconciliations are signed by the preparer and approver.

EXPENDITURES/PROCUREMENT**Objective**

Determine whether the program related expenditures are allowable under the County contract, properly documented, and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records, and reviewed documentation for 20 non-personnel expenditure transactions billed by the Agency for July, August, and September 2005, totaling \$980.

Results

Van Ness did not have documentation, such as an agreement, copies of time records, or invoices detailing the nature of the services provided, to support \$300 in payments

paid to a consultant from July to September 2005. The County contract requires that copies of contracts, time records, billing rates, travel vouchers and invoices detailing the nature of the services provided by the consultant be provided to support the expenditures incurred. Subsequent to our review, Van Ness provided additional documentation to support the consultant costs incurred.

Recommendation

- 2. Van Ness management maintain adequate documentation to support program expenditures.**

INTERNAL CONTROLS

Objective

Determine whether the contractor maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit, and tested transactions in various non-cash areas such as expenditures, payroll and personnel.

Results

The procurement and accounting procedures manuals maintained by the Agency were not in compliance with WIA guidelines. For example, Van Ness' procurement procedures did not require three price quotations for purchases over \$1,000 as required under the WIA guidelines. In addition, Van Ness' accounting manual did not address cost allocation, travel, audit, cash management, reimbursement procedures, etc.

Van Ness' record retention policy was not in compliance with the County contract. Specifically, Van Ness's record retention policy requires that records to be retained for four years. However, the County contract requires that all accounting records be retained for a minimum of five years after the termination of the agreement.

Subsequent to our review, Van Ness revised its record retention policy to comply with the County contract.

Recommendation

- 3. Van Ness management ensure that accounting and procurement manuals are developed in compliance with WIA and other regulatory guidelines.**

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether Van Ness' fixed assets and equipment purchases made with WIA funds are used for the WIA program and are safeguarded.

Verification

We interviewed Agency personnel and reviewed the Agency's equipment and inventory listing. In addition, we performed a physical inventory and reviewed the usage of all four items funded by WIA funds, totaling approximately \$5,870.

Results

Van Ness used the item purchased with WIA funding for the WIA program. In addition, the items were appropriately safeguarded.

Recommendation

There are no recommendations for this section.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll is appropriately charged to the WIA program. In addition, determine whether personnel files are maintained as required.

Verification

We traced and agreed the payroll expenses for one employee, totaling \$5,141, to the payroll records and time reports for November 2005. We also interviewed one employee and reviewed the personnel file for the employee assigned to the WIA program.

Results

Van Ness appropriately charged payroll expenses to the WIA program. However, Van Ness did not have a performance evaluation for the employee assigned to the WIA program. The last evaluation was performed in 1998.

Recommendation

- 4. Van Ness management ensure that employee evaluations are performed on an annual basis.**

COST ALLOCATION PLAN**Objective**

Determine whether Van Ness' Cost Allocation Plan was prepared in compliance with the County contract and applied to program costs.

Verification

We reviewed Van Ness' Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency to ensure that the expenditures were properly allocated to the WIA program.

Results

Van Ness's Cost Allocation Plan was prepared in compliance with the County contract and costs were appropriately allocated.

Recommendation

There are no recommendations for this section.

CLOSE-OUT REVIEW**Objective**

Determine whether the Agency's Fiscal Year (FY) 2004-05 expenditures were supported by financial accounting records.

Verification

Traced and agreed the Agency's FY 2004-05 final close-out invoice submitted to DCSS, which summarizes the total program expenditures for the fiscal year, to the Agency's total WIA program expenditures on their general ledger.

Results

Van Ness invoiced and received payment for \$82,556 in FY 2004-05. However, Van Ness' FY 2004-05 general ledger only supported \$82,045 in program expenditures, resulting in unsupported expenditures of \$511.

Recommendations

Van Ness management:

5. Repay DCSS \$511.

6. Ensure that all program expenditures are supported and accurately reported in the general ledger.

PRIOR YEAR FOLLOW-UP

Objective

Determine the status of the recommendations reported in the prior monitoring review completed by a CPA firm contracted by the County.

Verification

We verified whether the outstanding recommendations from Fiscal Year (FY) 2004-05 monitoring review were implemented. The report was issued on January 24, 2006.

Results

The prior monitoring report contained 13 recommendations. Van Ness implemented 10 of the 13. For the three recommendations still outstanding, Van Ness indicated that the recommendations will be implementation in FY 2006-07.



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Job Training Program

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Thursday, October 12, 2006

Countywide Contract Monitoring Division
Department of Auditor-Controller
County of Los Angeles
Attention: Yoon Bae
1000 South Fremont Avenue
Unit 51, Bldg. A-9 East
Alhambra, CA 91803

Re: FY 2004-2005 MONITORING REVIEW Draft Response

Dear Yoon Bae:

Below are responses to each Recommendation.

Recommendation 1. Van Ness Recovery House (VNRH) management after receiving the results of this review has implemented this recommendation to ensure that bank reconciliations are signed by the preparer and the approver.

Recommendation 2. VNRH after receiving the results of this review has implemented this recommendation to ensure that our documentation to support program expenditures is in compliance with WIA and other regulatory guidelines.

Recommendation 3. VNRH after receiving the results of this review has implemented this recommendation to ensure that our accounting and procurement manuals are in compliance with WIA and other regulatory guidelines.

Recommendation 4. VNRH management after receiving the results of this review has implemented this recommendation to ensure that employee evaluations are performed on an annual basis.

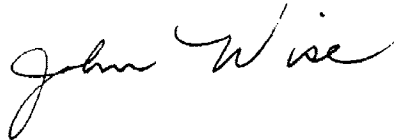
Recommendation 5. VNRH has the inside CPA investigating where this \$511 amount has been mislabeled and can be shown is not owed back to DCSS.

Recommendation 6. VNRH after receiving the results of this review has implemented this recommendation to ensure that all program expenditures are supported and accurately reported in the general ledger.

If you have any questions or need further clarification or additional information, I may be reached at the above captioned numbers.

Thank you for providing us with the opportunity to improve the quality of our program operations.

Sincerely,

A handwritten signature in black ink that reads "John Wise". The signature is written in a cursive style with a large, stylized "J" and "W".

John Wise
Job Training Program Director